

Message Text

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14

ACTION EB-11

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 0875

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E.O. 11652 N/A

TAGS: EGEN, IT

SUBJ: JOHN HADDAD - ITALCOLD SPA, NAPLES

REF: GALLAGHER-SARICH TELECON SEPT 19

1. /BACKGROUND/ - US CITIZEN JOHN HADDAD BOUGHT GENERAL ELECTRIC FACILITY IN NAPLES 1968 AND AS ITALCOLD SPA PRODUCED COMPACT REFRIGERATORS MAINLY FOR US MARKET BUT ALSO FOR DOMESTIC SALES. VIEW RISING COSTS, DOLLAR REALIGNMENT HADDAD SOUGHT LIQUIDATE IN 1971 BUT SAYS WAS PRESSURED BY LOCAL AUTHORITIES ON THREATS BANKRUPTCY TO LEASE PLANT AND EQUIPMENT TO GEPI FIRM ITC FOR FIVE YEARS. LEASE INVOLVED SALE OF FINISHED REFRIGERATORS TO ITC IN RETURN SETTLEMENT ITALCOLD LABOR TERMINATION BENEFITS AND ITC'S USE MATERIALS ON HAND WITH PAYMENT AS USED. AT TIME OF LEASE, ITALCOLD OWNED TWO THIRDS DIRECTLY BY HADDAD, ONE THIRD BY ANOTHER ITALIAN COMPANY IN TURN HALF OWNED BY HADDAD AND HALF BY NY CORPORATION CONTROLLED BY HADDAD FAMILY. MANGITUDE OF HADDAD ACTUAL INVESTMENT UNCERTAIN AS DEBTS AT TIME OF LEASE INCLUDED 1.6 BILLION LIRE TO OVER 250 BANK AND SUPPLIER CREDITORS (OVER 1.2 SINCE SETTLED), AN INSVEIMER CREDIT FOR LAND AND BUILDINGS OF 300 MILLION LIRE AND IMI CREDIT FOR MACHINERY BELIEVED TO BE 1 BILLION LIRE. HADDAD PERSONAL GUARANTOR SOME UNSETTLED BANK CREDITS, USED ANOTHER UNRELATED MFG. COMPANY FOR COLLATERAL ON OTHERS.

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2. /ACTION TAKEN/. IN SPRING 1973 ITALCOLD TAKEN TO COURT BY 27

CREDITORS WHICH COULD HAVE RESULTED IN BANKRUPTCY. FINANCIAL SOLUTION WAS IN PAYMENT FOR MATERIALS USED BY ITC BUT NOT PAID TO ITALCOLD DUE A) ITC DISPUTE ON VALUES AND CITING OF QUESTIONABLE LEGALITY OF PAYING FIRM ABOUT TO GO BANKRUPT ON B) HADDAD CLAIM ITC/GEPI SEEKING BANKRUPT ITALCOLD, ACQUIRE ASSETS OF PLANT AT VERY LOW COST. SETTLEMENT OF SOME ITC-ITALCOLD LAW SUITS AND COUNTERSUITS IN NAPLES PROVIDED ENOUGH FUNDS RESOLVE THIS ISSUE AND EMBASSY EFFORTS WITH MINISTRY OF INDUSTRY, CONGEN NAPLES DEALINGS WITH LIQUIDATORS AND ITC HELPED ESTABLISH BETTER GROUND FOR RELATED AGREEMENT. EMBASSY HAS NOT HEARD FROM HADDAD SINCE MAY 29 WHEN HE REPORTED SITUATION UNDER CONTROL.

3. /PROBLEMS/. A) EMBASSY UNSURE HOW MANY LAWSUITS STILL OUTSTANDING. ITALCOLD AT ONE POINT CONSIDERING SUIT AGAINST FORMER DIRECTORS FOR MALFEASANCE, SUING ALLIS CHALMERS IN US FOR \$10 MILLION FOR VIOLATION OF PURCHASE CONTRACTS AND HAD SEVERAL SUITS AND COUNTERSUITS WITH ITC. B) EMBASSY BELIEVES HADDAD SEEKING BREAK LEASE WITH ITC DUE LIMITATIONS (E.G. ONE YEAR NOTICE) ON SALE OF PLANT AND DIRECT APPLICATION ITC RENTAL TO INSVEIMER DEBT. C) HADDAD HAS PERSONAL ATTORNEYS US AND MILAN, ITALCOLD LIQUIDATORS NAPLES AND THERE NEVER MUCH COORDINATION OF EFFORT. HE CONTINUALLY HAS INSISTED THAT DESPITE COMPLEX LEGAL ISSUES INVOLVED THE USG SHOULD INTERVENE AT HIGHEST GOI LEVELS TO FORCE GEPI TO SATISFY HIS QUESTIONABLE DEMANDS AND INSINUATING THAT GEPI SOLE INTENT TO BANKRUPT ITALCOLD.VOLPE

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